LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6121 **DATE PREPARED:** Jan 23, 1999
BILL NUMBER: HB 1982 **BILL AMENDED:**

SUBJECT: Hoosier Education Loan Program for Scholars.

FISCAL ANALYST: David Hoppmann
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FUNDS AFFECTED: **X** **GENERAL** **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill would provide a refundable income tax credit to assist in repaying student loans for certain persons who graduate with a B average from Indiana high schools (completing the CORE 40 curriculum) and Indiana institutions of higher learning. It would provide this credit for each of the five years following graduation, if the graduate resides and is employed in Indiana. It would establish the annual amount of the credit at $1,200 for a graduate of a state institution and $1,500 for a graduate of a nonprofit institution. It would provide for administration of the program by the State Student Assistance Commission, and funding from Lottery surplus revenues.

Effective Date: January 1, 1999 (retroactive); July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues: This bill would grant a refundable income tax credit of $1,200 for certain taxpayers who graduate from an approved state operated institution of higher learning and $1,500 for certain taxpayers who graduate from an approved nonprofit institution of higher learning. Since the first graduating class of high school students to complete CORE 40 occurred in June, 1998 (approximately 31,000 students), the earliest this bill could affect revenues would be in the year 2001. Fiscal impact of this bill would result from revenue losses associated with the bill's tax credits, and subsequent transfers of available lottery surplus monies.

The Revenue Loss From the Tax Credit: The Commission for Higher Education estimates that of the 1997-98 graduating class of high school seniors, approximately 4,845 might claim the income tax credit after having graduated from an Indiana institution of higher learning. This estimate is based on assumptions regarding 1) how many of the approximately thirty-one thousand 1997-98 high school graduates completed CORE 40 requirements with a B average or better; and 2) how many of these graduates might attend college and remain in Indiana for five years after graduation.

The revenue loss to the state from passage of this bill is estimated by multiplying the projected graduates by the tax credit that each person may receive.

Type of Institution	First Year to Claim Credit	# of Persons Claiming Credit	Amount of Credit	Revenue Loss to the State
2 Yr. Public	2001	1,479	$1,200	$1,774,800
4 Yr. Public	2003	2,693	$1,200	$3,231,600
4 Yr. Private	2003	673	$1,500	$1,009,500

The following table illustrates that the revenue loss of this bill would begin in 2001, when the high school seniors graduating in 1998 (who obtain a 2 year degree) would first be eligible for the credit. In 2003, 1998 graduates who earn a 4 year degree from either a private or public college or university would be eligible for the credit.

Fiscal Year	2 year public	4 year public	4 year private	Total Revenue loss
2001	$1,774,800			$1,774,800
2002	$3,549,600			$3,549,600
2003	$5,324,400	$3,231,600	$1,009,500	$9,565,500
2004	$7,099,200	$6,463,200	$2,019,000	$15,581,400
2005	$8,874,000	$9,694,800	$3,028,500	$21,597,300
2006	$8,874,000	$12,926,400	$4,038,000	$25,838,400
2007	$8,874,000	$16,158,000	$5,047,500	$30,079,500
2008	$8,874,000	$16,158,000	$5,047,500	$30,079,500

The maximum revenue loss from this credit is estimated to be $30 million annually when the system is fully in place. However this revenue loss is mitigated by the transfer of Lottery funds as described below. Individual income tax revenue is deposited in the General Fund.

Effect on Surplus Lottery Revenue: Under current law, lottery revenue is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Surplus lottery revenue is then distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. A statutorily-determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. A portion of money remaining in the LGSA is then transferred to the State and Local Capital Projects Account.

This bill would require that (on the last day of January, April, July, and October) an amount equal to the tax credit revenue loss, be deposited into the state General Fund from surplus lottery revenue (after transfers to the Teachers' Retirement and Pension Relief Funds).

The following table shows projected Lottery net income, transfers, and surplus lottery revenue distributions to the LGSA. It is estimated that the Lottery's net income will be approximately $180 M in FY 1999. This analysis is based on the assumption that the net income remains constant in FY 2001 through FY 2007.

Projected Lottery Net Income, Transfers, and Surplus Revenue Distributions to the LGSA:

Projected Revenue and Transfers	**FY 01**	**FY 02**	**FY 03**	**FY 04**	**FY 05**	**FY 06**	**FY 07**
Lottery Net Income	$180.0	$180.0	$180.0	$180.0	$180.0	$180.0	$180.0
TRF Transfer	($30.0)	($30.0)	($30.0)	($30.0)	($30.0)	($30.0)	($30.0)
PRF Transfer	($10.0)	($10.0)	($10.0)	($10.0)	($10.0)	($10.0)	($10.0)
Transfer to General Fund	($1.7)	($3.5)	($9.5)	($15.5)	($21.6)	($25.8)	($30.0)
Surplus Lottery Revenue Distributions to LGSA	138.3	136.5	130.5	124.5	118.4	114.2	110.0

Along with projected revenue from the riverboat wagering tax, the parimutuel wagering tax, and charity gaming, it is estimated that there will be sufficient revenue in the LGSA for the statutory distributions to MVETRA.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Student Assistance Commission.

Local Agencies Affected:

Information Sources: Patty Shutt, Department of Education (317) 232-9162; Dennis Obergfell, State Student Assistance Commission (317) 232-2350; Kent Weldon, Commission of Higher Education (317) 464-4400.